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Marlene H. Dortch
Secretary
Federal Communications Commission
445 Twelfth Street, SW
Washington, DC 20554

Re: Ex Parte Presentation – WT Docket No. 06-150
Service Rules for the 698-746, 747-762 and 777-792 MHz Bands.

Dear Ms. Dortch

Verizon Wireless submits the attached economic analysis by Dr. Peter Cramton, which provides support for maintaining large geographic license sizes in the mix of licenses in the upcoming auction of 700 MHz spectrum.¹ This analysis shows that the license structure should recognize that large service areas are efficient and directly benefit consumers. It also shows that aggregation of thousands of cellular and PCS licenses into nationwide and large regional networks was costly in terms of real dollars and delayed services. Finally, it documents the adverse impact on the auction process of not including regional licenses.

Dr. Cramton's analysis reinforces comments by a number of parties who advocate including larger, regional licenses such as Economic Area Groupings (EAGs) or Regional Area Groupings (REAGs) in the 700 MHz band plan.² Auctioning only small geographic

¹ Peter Cramton, *Why Large Licenses Are Best for the 700 MHz Spectrum Auction* ("Cramton").

² *Service Rules for the 698-746, 747-762 and 777-792 MHz Bands*, Notice of Proposed Rule Making, Fourth Further Notice of Proposed Rule Making, and Second Further Notice of Proposed Rule Making, 21 FCC Rcd 9345 (2006) ("700 MHz Commercial Band Notice"), Comments of Motorola, Inc. at 6-7; Comments of QUALCOMM Incorporated at 17, Comments of Verizon Wireless at 4-5, Reply Comments of Cingular Wireless LLC at 5-9; *see also* Comments of DIRECTV, Inc. and Echostar Satellite L.L.C. at 6 (supports large geographic licenses, including a nationwide license) and Balanced Consensus

licenses would be inefficient and result in significant cost to the consumer. Parties that have urged the FCC to auction all or nearly all the spectrum in small geographic licenses ignore these costs and do not provide evidence to justify the exclusion of large geographic areas from their proposed band plans.³ Instead they simply assert that the transaction costs of aggregating spectrum into the large, regional footprints post auction would be less than the transaction costs associated with disaggregating that spectrum.⁴ To the contrary, Dr. Cramton's analysis shows that the substantial aggregation activity of the last decade was costly in terms of both time and money and required negotiating hundreds of commercial transactions. It was also costly to the consumer in terms of delay of services such as seamless nationwide roaming.

We agree that it is important for the Commission to determine the "right" mix of license blocks.⁵ That mix needs to include large regional licenses because, as Dr. Cramton shows, consumers demand seamless regional and national coverage. It would be costly to the consumer if carriers once again have to piece together such footprints through the aggregation of spectrum in the secondary market. Most of the world has recognized this and awards advanced wireless spectrum in nationwide or large regional swaths.⁶ Any band plan that the FCC adopts for advanced wireless service spectrum must include a sufficient amount of spectrum in EAGs or REAGs.

Plan at Attachment (filed Oct. 20, 2006 by 19 different entities) (supports one paired and one unpaired REAG license in the band plan).

³ *700 MHz Commercial Band Notice*, ¶ 27 requesting parties to provide "evidence based on changed legal circumstances, the state of technology, the demand in rural areas, spectrum access constraints, the fungibility of 700 MHz Band spectrum with other bands, and relevant costs, such as those related to acquiring spectrum."

⁴ *Letter from Michele Farquhar on behalf of SpectrumCo, ex parte* filing, WT Docket No. 06-150 (Jan. 8, 2007) ("*January 8, 2007 SpectrumCo Ex Parte Letter*") at 2 and Coleman Bazelon, *Principles for Choosing 700 MHz Block License Sizes* at 1, Attachment to *Letter from Michele Farquhar on behalf of SpectrumCo, ex parte* filing, WT Docket No. 06-150 (Mar. 6, 2007) ("*Principles for Choosing 700 MHz Block License Sizes*") at 1 ("auctioning smaller spectrum blocks avoids transactions costs associated with secondary markets"); *see also* *700 MHz Commercial Band Notice*, Comments of Leap at 4 ("taking too granular an approach to geographic area licensing. . . will increase transactions costs unduly.") Leap concludes that to avoid such transaction costs, the Commission should auction most of the licenses as EAs, but provides no evidence for reaching this conclusion, except that EAs fall in size somewhere between CMAs and MEAs. *Id.* at 5.

⁵ *Principles for Choosing 700 MHz Block License Sizes* at 1.

⁶ Even countries as large as Canada have chosen band plans with large regional licenses. *See gen. Industry Canada, Policy and Licensing Procedures for the Auction of Additional PCS Spectrum in the 2 GHz Frequency Range* (June 28, 2000), available at [http://strategis.ic.gc.ca/epic/site/smt-gst.nsf/vwapj/10.1e.pdf/\\$FILE/10.1e.pdf](http://strategis.ic.gc.ca/epic/site/smt-gst.nsf/vwapj/10.1e.pdf/$FILE/10.1e.pdf).

Pursuant to Section 1.1206(b)(2) of the Commission's Rules, an electronic copy of this letter is being filed for inclusion in the above-referenced docket. Please direct any questions regarding this filing to the undersigned.

Sincerely,

A handwritten signature in black ink, appearing to read "Charla M. Rath". The signature is fluid and cursive, with a large, stylized initial "C" and "R".

Charla M. Rath

cc: Erika Olsen
Bruce Gottlieb
Barry Ohlson
Aaron Goldberger
Angela Giancarlo
Fred Campbell
Jim Schlichting
Paul D'Ari
Paul Murray
Wayne Leighton